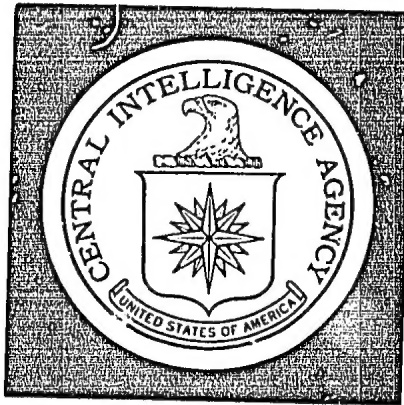


Sanitized Copy Approved for
Release 2011/02/04 :
CIA-RDP85T00875R00170001

Sanitized Copy Approved for
Release 2011/02/04 :
CIA-RDP85T00875R00170001

Doc/Ser
CIA/OER/IM 71-145
Confidential



DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*India: Some Economic Consequences
Of The Exodus From East Pakistan*

Confidential

ER IM 71-145

July 1971

Copy No. 57

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1 Excluded from automatic downgrading and declassification

CONFIDENTIAL

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
July 1971

INTELLIGENCE MEMORANDUM

INDIA: SOME ECONOMIC CONSEQUENCES OF THE EXODUS FROM EAST PAKISTAN

Introduction

1. The influx of about 7 million refugees from East Pakistan is exerting severe pressures on India's already heavily burdened economy. The refugees have to be fed, housed, doctored, and dispersed in India, and international aid has been slow in arriving. Moreover, there is little prospect that many refugees will soon leave India, as most are Hindus forced out of East Pakistan by Islamabad's troops. In the short run, those Indian states bordering East Pakistan will bear the brunt of the inflow. One of these, West Bengal, has long been an area of chronic political and economic discontent. The costs of caring for the refugees in the long run will set back Mrs. Gandhi's plans both to improve economic and social conditions and to accelerate economic growth. This memorandum describes the current refugee situation, assesses the costs associated with their care, and examines the economic impact of the exodus on India.

Discussion

Nature of the Exodus

2. Within a month after West Pakistan's army began its crackdown on the Bengali separatist movement in East Pakistan on 25 March, about 1.5 million refugees had fled from border areas in the East wing to adjacent Indian areas. The exodus greatly accelerated in May, and by June refugees were arriving in India from the East Pakistani interior. Hindus accounted for more than 90% of the new arrivals, reflecting a campaign of terror by the West Pakistani troops against that minority religious group. Although

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

CONFIDENTIAL

CONFIDENTIAL

fear was the main motivating force behind the emigration from the East, hunger too played an important role as food distribution in the East wing was vitally disrupted.

3. By mid-July, Indian estimates placed the total number of refugees at about seven million, 1/ largely women and children. The refugees have increased the Indian population by more than 1% in two months and reduced East Pakistan's population by about 9%. Moreover, although the flow has slowed considerably from its average daily rate in May of something slightly in excess of 100,000, there are no indications that the exodus is coming to an end. The refugee influx to date is far greater than the approximately 5 million who moved into India from West Pakistan and East Pakistan combined in the first year and a half following the partition of British India in 1947, and much of that influx was offset by the movement of Muslims from India to Pakistan. An additional 5 million refugees - almost all from the East wing - arrived in India during the subsequent two decades.

4. By late May, international pressures had forced Islamabad to make public appeals for the return of the refugees to East Pakistan. Small receiving camps were set up to process a return flow. The government's words, however, could not overcome its actions, and few refugees seized upon the invitation which included offers of amnesty. Along with the fear of persecution and death, Hindu refugees doubtless were aware that their property had been distributed to non-Bengali residents - mainly Biharis - of East Pakistan. Even Islamabad was claiming only 75,000 returnees as of mid-July, and these claims probably were exaggerated. Some of those who returned did so because of the hostility they had faced from the impoverished population in India.

Economic Conditions Met by the Refugees in India

5. The state of West Bengal, which received about 5.5 million refugees between March and July - more than it received since Indian independence - was already heavily overpopulated even by Indian standards. Although it was India's wealthiest state at the time of independence, economic progress since then has been slow. Indeed, average living standards now are actually worse than they were in 1950. 2/ In recent years, political instability and the disruptive behavior of Communist-dominated labor unions have accelerated the state's economic deterioration, and unemployment has spread rapidly.

1. Upward of 10,000 additional refugees reportedly fled into Burma.

CONFIDENTIAL

CONFIDENTIAL

6. A large number of refugees settled in the environs of Calcutta, West Bengal's capital, the center of its industry, and a city which exemplifies the state's problems. Calcutta has deservedly gained the reputation as perhaps the world's least inhabitable city. It suffers from massive overcrowding and unemployment and is a breeding ground for disease and politically motivated violence. Municipal services – especially the water and sewage systems – are severely strained.

7. Although the preponderant number of refugees fled to West Bengal, the influx into the remote Union Territory of Tripura created great problems for that area as well. Tripura has received only about one-fifth as many new arrivals as West Bengal, but before the influx Tripura had a population of only about 1.5 million, compared with some 45 million in West Bengal. Thus the arrival of more than 1 million refugees increased Tripura's population by 70%. Moreover, most of Tripura's population is concentrated in the lowlands close to the densely populated areas of East Pakistan from which the refugees fled. The state is three-quarters encircled by Pakistani territory, and communications links with the rest of India are poor, with road and air travel heavily circumscribed, particularly during the summer monsoon season. Finally, Tripura was a food-deficit area before the arrival of the refugees. Besides West Bengal and Tripura, the tiny substate of Meghalaya and the states of Assam and Bihar have received relatively small numbers of refugees (see the map).

8. In an effort to ease the problem in the border states, the Indian government mobilized its transport system to move refugees inland. New Delhi planned eventually to move 2.5 million refugees from the hundreds of small relief camps along the border into about 50 large camps further inland in the border states and in the states of Madhya Pradesh, Bihar, Uttar Pradesh, Orissa, and Andhra Pradesh. Bureaucratic delays and shortages of construction material are delaying dispersal and, in any event, India's over-burdened transportation system will need a long time to accomplish the task. In West Bengal, for example, the system is capable of moving out only 10,000 refugees per day at most, and by mid-July – even with Soviet airlifts supplementing the rail movement – the number moved apparently amounted to only about 125,000, or less than 3% of the total influx at the time. Most of those moved to date have been sent to a previously established resettlement area in Madhya Pradesh where some 90,000 earlier refugees from Pakistan have been located since the late 1950s. US airlifts have also dispersed more than 20,000 refugees from Tripura to Assam.

9. Many of the refugees in West Bengal prefer to stay there because of ethnic affinities with the Bengalis who make up most of the state's population. Their aversion to leaving West Bengal for an unfamiliar location

CONFIDENTIAL

[illegible]

States with major concentrations of refugees

Sanitized Copy Approved for Release 2011/02/04 : CIA-RDP85T00875R001700010097-3

CONFIDENTIAL

inhabited by non-Bengalis was shown in the high incidence of refugees leaping off the trains carrying them to the interior. In some cases, food rations had to be cut off to pressure refugees to leave West Bengal. The interior states, of course, had little desire to receive the refugees and compound their own economic and social problems.

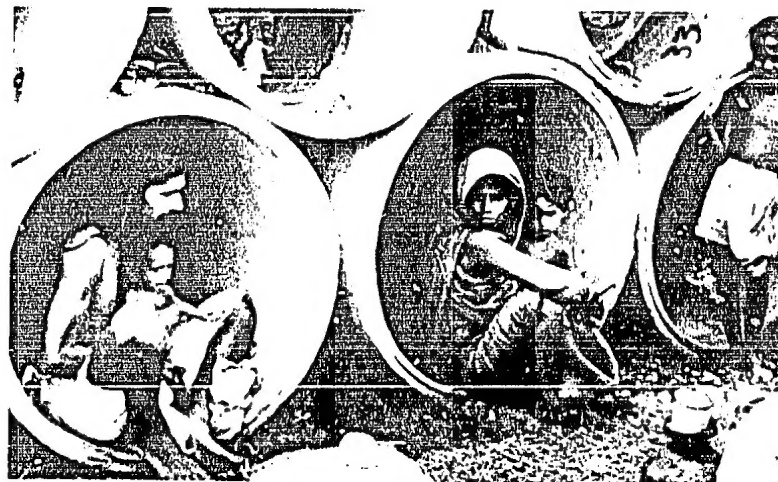
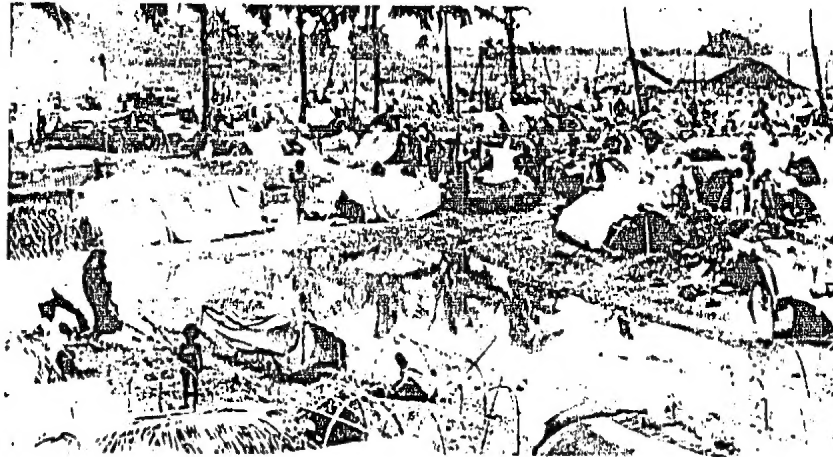
10. Under the circumstances, the Indian government has done an admirable job of administering to the needs of the refugees and especially in keeping cholera from spreading rapidly throughout the area. Nevertheless, the living conditions of many of the refugees are very primitive (see the photographs). Shelter for many of those living in camps takes the form of crude thatch leantos or even uninstalled concrete sewage pipes. Many camps in West Bengal are on low-lying ground and have been flooded by monsoon rains, which began in June and will extend until September. Those not in camps, or not living with friends or acquaintances, live with other homeless people on the streets, in parks, or the like. The government has already stated that little expensive area development will be attempted. Refugee camps are being located mainly on wasteland, army camps, and abandoned airfields. These lands are not very suitable for cultivation, and many refugees probably will attempt to move to urban areas or better agricultural land.

Cost of Refugee Relief

11. The direct cost of adequately caring for 7 million refugees for six months will amount to more than \$400 million, based on data supplied by the Indian government and the US Embassy in New Delhi. Food will account for perhaps \$150 million of the total, and other recurring costs - vitamins, drugs, transport, spare parts, etc. - another \$80 million. One-time costs, predominantly sanitation, shelter, and transport, make up the remainder. The estimate of the costs for shelter assumes that, as at present, about one-third of the refugees will not settle in approved refugee camps and that inexpensive plastic sheeting will be used for cover instead of cotton tents and tarpaulins. The following tabulation shows a breakdown of costs for a six-month period:

CONFIDENTIAL

CONFIDENTIAL



Refugees in Camps and Makeshift Homes in India, June 1971

CONFIDENTIAL

CONFIDENTIAL

	Million US \$
Recurrent costs	<u>231</u>
For refugees in camps	168
Of which:	
Food	99
For refugees outside of camps	63
Of which:	
Food	49
One-time costs	<u>192</u>
For refugees in camps	172
For refugees outside of camps	20
Total	423

For each additional six months that the refugees remain in India the total direct cost will increase by more than \$200 million, excluding any increased costs resulting from an increased number of refugees. Indian experience with the costs of resettlement and rehabilitation of earlier refugees from East Pakistan on a long-term basis substantiates the order of magnitude of these estimates. 3/

12. The direct costs do not take into account the diversion of administrative, educational, and transport services, nor do they include the costs of forgone investment. Mrs. Gandhi's plans to alleviate poverty, institute social reforms, accelerate industrialization, and extend the "green revolution" reportedly have already suffered delays because of administrative preoccupation with the refugee problem. Planned investment in Tripura, Meghalaya, and border districts of Assam and West Bengal most

3. Some 14,000 refugee families were resettled on reclaimed forestland in the states of Madhya Pradesh and Orissa during 1958-76. Direct costs for shelter, agricultural loans, and maintenance subsidies for the first few agricultural seasons amounted to about \$30 million. Thus the cost per family to the Indian government over 12 years amounted to over \$2,000, or upward of \$500 per refugee, inasmuch as many refugees were in the camps for much less than 12 years. The estimates for the new refugees equate to a 10-year cost of roughly \$600 per refugee.

CONFIDENTIAL

CONFIDENTIAL

likely have been most affected by the priority given to refugee relief. The US Embassy estimates that there will be a decrease of about \$80 million, or about 30% in the budgeted investment expenditure of some \$285 million in the states of West Bengal, Assam, Tripura, Meghalaya, and Bihar in fiscal year 1971 (1 April 1971-31 March 1972). 4/ Moreover, the forgone investment is being converted, in part, to consumption spending which is adding to inflationary pressures in the economy.

Meeting Costs from Domestic Resources

13. In July an Indian official indicated that the 4.7 million refugees in camps were costing India \$1.8 million per day, only slightly less than the outlay estimated to be needed for adequate care. The official also noted that the government had not yet begun to provide support for those refugees not in camps. New Delhi's budget for FY 1971 called for only \$80 million for refugee relief, admittedly only a symbolic allocation inasmuch as the budget was presented in late May when it was clear that much higher expenditures would be required.

25X1

14. India can provide foodgrains for the refugees from its foodgrain stockpile, which amounted to a seasonal high of about 8-8.5 million tons in early July. These stocks, built up to stabilize foodgrain prices as well as for emergency use, have been accumulated from four successive good harvests and from foodgrain imports. The refugees, however, and the Indians are mainly rice eaters, and Indian stocks consist predominantly of wheat. Thus New Delhi will need to have the rice used for refugee relief replaced by donations from abroad. The planned daily adult refugee ration of 500 grams would equal about 1.2 million tons per year.

15. The estimates of food costs assume that the refugees will be given a diet roughly equivalent in caloric content to that received by the Indian population, or slightly more than 2,000 calories per day. Such a diet would probably be somewhat higher in caloric content than the normal diet in East Pakistan. Rice would be the major food input, but milk, vegetable oil, and special protein-supplement foods will also play important roles. Thus far the refugee ration provided by the Indian government appears to be up to 20% short of the planned level.

16. India is critically short of supplies other than foodgrains – such as dry milk, oil, and pulses – which are needed by the refugees. Essential materials such as raw cotton, cloth, and steel for construction are also in

4. *The present discounted value of the diverted investment amounts to about \$350 million.*

CONFIDENTIAL

CONFIDENTIAL

relatively short supply. Demand for some manufactured items – mosquito netting, bedding, etc. – is placing a strain on India's production capabilities.

Foreign Aid

17. Foreign aid for the refugees amounted to about \$125 million as of mid-July. The United States was by far the largest contributor, providing \$70 million in aid, followed by the USSR, United Kingdom, and Sweden. Almost 60% of the US aid was offered as food support.

18. The United Nations High Commissioner for Refugees (UNHCR) is coordinating the greater part of the flow of refugee relief to India in the biggest operation of its kind ever undertaken by the UN. (The UN supplies aid in one form or another to some 1.4 million Palestinian refugees.) Some 32 governments as well as organizations in the UN system and voluntary agencies have made pledges amounting to about \$100 million to the UNHCR. Agencies of the UN system which have made contributions include the World Food Program, World Health Organization, and the Children's Fund. In addition to aid sent under the UN umbrella, a number of governments and private agencies have provided bilateral assistance. All aid has been turned over to Indian authorities for distribution.

19. A Central Coordination Committee for Refugee Relief was set up in May in India, comprising representatives of New Delhi, the UNHCR, and other UN organizations. Despite the efforts toward coordination, however, the operation has been plagued by inefficient administrative procedures. The early sluggishness of international response was due in part to this inefficiency. Occasional clashes between Indian and Pakistani troops stationed in the border areas are complicating relief activities.

20. India is far from satisfied with the scope of the international response, Mrs. Gandhi categorizing the assistance as "practically next to nothing." New Delhi also is unhappy that special provisions for refugee relief were not included in the recent aid recommendations of the Western Consortium that met in Paris in June. Most Western donors, however, apparently do not intend that aid for refugees will be at the expense of developmental aid.

21. An international relief and rehabilitation effort also has been set up under UN auspices in East Pakistan. A part of the program will be concerned with assisting in the care of any returning refugees. The emphasis, however, will be focused on bringing some semblance of normality to the economic situation, especially the food situation, in the East wing. The exodus itself has been an important factor in the delay of new foreign aid for Pakistan as a whole.

CONFIDENTIAL

CONFIDENTIALOther Economic Consequences in India

22. Several economic problems soon became evident in the areas of West Bengal where the refugees first settled. Agricultural laborers' wages were depressed as much as 60% as experienced rice and jute farmers flooded the local labor market. Some refugees even brought their own rickshaws. Prices of such essential items as rice, cooking oil, vegetables, and kerosene increased rapidly. Speculative hoarding brought on by the inflow of the refugees added to the problem. The finances of the State government also suffered. By early June, although West Bengal had spent only about \$6.5 million on refugee care, less than 10% of this sum had been reimbursed by the central government.

23. Price and wage data for the smaller states which received large numbers of refugees are not available, but the economic situation may be comparable to that in West Bengal. In Shillong, joint capital of Assam and Meghalaya, there was rioting in June because the local population thought that the refugees were getting better food and housing than the natives.

Outlook

24. Despite Mrs. Gandhi's public statement that "we have no intention of allowing them to settle here" and despite Islamabad's guarantees of amnesty and property restitution to returnees, most of the refugees are likely to remain in India and be an economic burden there for the indefinite future. Changes that would encourage the refugees to return willingly to East Pakistan – a transfer of authority by Islamabad to an East wing civilian government, a withdrawal of West Pakistani troops from East Pakistan, or credible international guarantees – do not appear imminent. Another alternative, an Indian "military solution" would create its own economic – let alone diplomatic – problems, although there reportedly is an official Indian estimate showing that war would be less expensive than long-term refugee care. Finally, despite Islamabad's public statements to the contrary, there are strong indications that it has no intention of permitting the Hindus to return to East Pakistan, and Hindus make up about 90% of the 7 million refugees.

25. The food crisis in East Pakistan probably also will be a strong deterrent to any major return flow of refugees. The poor rice crop there and the inability of the distribution system to handle needed foodgrain imports point to severe food problems even without a reversal of refugee flows. The seriousness of the food distribution problem – a problem exacerbated by sabotage actions by the East Bengali resistance fighters – even suggests that a massive new exodus might emerge before the end of 1971.

CONFIDENTIAL

CONFIDENTIAL

26. In the next several months the major economic drawback produced by the refugees already in India is likely to be the continued disruption of normal day-to-day economic activity. The impact will be most evident in the eastern border states, but inflationary pressures may spread throughout India. Consumption demand will be increased by the refugees' need for such materials as clothing and construction materials as well as food.

Foreign aid is certain to increase and probably will offset food and shelter costs, but it is very unlikely that aid will be adequate to cover many of the other costs. The total direct costs of caring for 7 million refugees for six months would be almost equal to the total budgeted expenditures of West Bengal in FY 1971.

25X1

27. Given the potential explosiveness of the situation, any longer term predictions are very hazardous. If, for example, the number of refugees in India does not change appreciably in the next five years the direct costs of relief could amount to over \$2 billion for the period. It is conceivable that foreign aid for refugee relief will become less available as time passes and as the international spotlight shifts. Even over the longer run, the refugees are not likely to make any significant contribution to India's economic output. Those who eventually find employment probably will largely replace more expensive local labor. Perhaps most important for India's longer term economic outlook will be the indirect costs resulting from diversion of developmental resources.

28. On the other hand, if the average daily flow of refugees in the second half of 1971 were to approximate that in June - whether because of a sharp deterioration in the food situation, an upsurge in the fighting in East Pakistan, or both - the total number of refugees in India by year's end would reach almost 19 million. This addition to the Indian population would be substantially more than the approximately 13 million expected from one year's normal population growth. Long before this point is reached, the economic, social, and political pressures would reach near-unmanageable proportions. The logistics of meeting both refugee needs and local economic demands would be beyond Indian capabilities and probably would strain international aid efforts to the utmost. Under these conditions, the chances for Indian military intervention in East Pakistan could increase significantly.

CONFIDENTIAL